CAPITAL LEASING CORPORATION LIMITED

REPORTS ON
THE FISCAL YEAR ENDING SEPTEMBER 30, 1963

DIRECTORS AND OFFICERS:

President:	Moe Koffman
Vice-President:	Max Koffman
Secretary-Treasurer:	Milton Koffman
Director:	Sydney Rosen
Director:	William Doyle

REGISTRAR AND TRANSFER AGENTS:

The Guaranty Trust Company of Canada

AUDITORS:

James M. Dunwoody & Company

BANK:

Toronto-Dominion Bank

WHOLLY OWNED SUBSIDIARIES:

Max Koffman Truck Rental Limited
Max Koffman Truck Sales Limited

Executive Office: Suite 1101, 121 Richmond St. West, Toronto, Ontario
Administrative Office: 28 Percy St., Ottawa, Ontario
Regional Depots located at Ottawa and Toronto.

Moe Koffman

THE PRESIDENT REPORTS

THE FINANCIAL STATEMENTS which make up the body of this report describe to the nearest dollar our progress through the last fiscal year, and illustrate the dimensions of our resources.

When compared with the previous year, financial highlights include a 60% increase in cash flow, a 52% increase in depreciation, a 31% increase in income taxes applicable to future years, and a 87% increase in net profit. Our net profit for the year ended September 28th, 1963 amounted to $115,027.00 or approximately 18¢ per share. On the other hand, I would refer you to our consolidated Statement of Profit and Loss on page (2) which puts our profit before taxes at $153,312.00. Our actual tax payments amounted to $1,959.00 leaving us with physical possession of $151,353.00 or 23¢ per share. The fact that $115,027.00 goes to surplus as profit, while $36,326.00 goes to income taxes applicable to future years does not detract from the fact that both these amounts remain available to us now, and with appropriate growth could remain with us indefinitely.

A 36% increase in long term debt is in keeping with our rate of growth, and reflects our expanding capital requirements. This is an area which commands the attention of your directors, who are continually engaged in exploring new sources of financing. Our return on net worth for the period under review approximated 12%. As your board develops better borrowing rates this return will improve, as of course will our profit ratio.

Our wholly owned subsidiary, Max Koffman Truck Rental Limited, made the major contribution to our over all progress. Total number of vehicles in the Koffman fleet showed a gratifying gain, and was reflected by a 30% increase in the total number of miles run.

In order that shareholders may more fully understand the operation of this subsidiary it is appropriate that I describe its varying functions. These include daily and other short term rentals, to satisfy the needs of customers who require additional vehicles during periods of peak business activity or who need replacement vehicles while their own are being repaired, and, to a lesser extent, individuals who require a truck for a special short term purpose. In addition to the foregoing we negotiate long term leases, and long term service leases. A long term lease merely covers the use of the truck, the maintenance of which becomes the responsibility of the customer. A long term service lease is a package deal covering the vehicle and its complete operation including gas and oil, repairs, insurance, and license. Inherent in the long term lease is the use of a daily rental unit as a stand-by substitute in the event that the leased vehicle breaks down. This type of lease means that we are able to maintain our vehicles at peak efficiency thereby insuring long life, and worthwhile residual value. We profit, meanwhile, not only on the leasing of the vehicle, but also on its service.

I am pleased to report that most of our long term contracts incorporate fully serviced leases. Our projected income for the current fiscal year from *contracts* on hand at October 1st, 1963 totalled $664,716.00. This figure covers the basic lease plus an estimate of the income from service based on our experience through the previous year. This total is a 100% increase over our contract total of $316,628.00 which we had on hand at October 31st, 1962 and which constituted our secured business for the year under review. The fact that we have entered the

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James M. Dunwoody & Company

CHARTERED ACCOUNTANTS

MONTREAL
CORNWALL
TORONTO
OAKVILLE
WELLAND
FORT WILLIAM
ATIKOKAN
DRYDEN
FORT FRANCES
KENORA
WINNIPEG
VANCOUVER

Toronto, Ontario

22nd January 1964

To the Shareholders,
CAPITAL LEASING CORPORATION LIMITED.

We have examined the Consolidated Balance Sheet of CAPITAL LEASING CORPORATION LIMITED and its wholly-owned subsidiary companies as at 28th September 1963 and the Consolidated Statements of Earned Surplus and Profit and Loss for the year ended that date. We were furnished with financial statements, together with the auditors' reports thereon, of the subsidiary companies reflected therein. With respect to the parent company, our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, based on our examination and the reports of the auditors of the subsidiary companies, the accompanying Consolidated Balance Sheet and Consolidated Statements of Earned Surplus and Profit and Loss, together with notes thereto, present fairly the financial position of the Company and its subsidiaries as at 28th September 1963 and the results of their operations for the fiscal year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

James M. Dunwoody & Company

CHARTERED ACCOUNTANTS.

CAPITAL LEASING CORPORATION LIMITED *and its wholly owned subsidiairies*

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR YEAR ENDED 28th SEPTEMBER 1963

(With comparative figures for year ended 30th September 1962)

	1963	1962
PROFIT, before providing for the undernoted items	$ 417,384	$ 294,892
Executive remuneration	$ 19,760	$ 35,552
Depreciation	207,822	136,675
Interest on long-term debts	93,698	61,394
	$ 321,280	$ 233,621
	$ 96,104	$ 61,271
Profit on sale of fixed assets		27,819
Profit on sale of investments	57,208	
PROFIT, before corporation income taxes	$ 153,312	$ 89,090
Income taxes for current year	$ 1,959	$ 583
Income taxes applicable to future years	36,326	27,315
	$ 38,285	$ 27,898
NET PROFIT	$ 115,027	$ 61,192

CONSOLIDATED STATEMENT OF EARNED SURPLUS FOR YEAR ENDED 28th SEPTEMBER 1963

(With comparative figures for year ended 30th September 1962)

	1963	1962
BALANCE, OPENING	$ 61,192	$ —
Less: Adjustment on sale of wholly-owned subsidiary	23,337	
	$ 37,855	
Add: Net profit for year, as per Statement "C"	115,027	61,192
BALANCE, CLOSING	$ 152,882	$ 61,192

THE PRESIDENT REPORTS

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current fiscal year with $664,716.00 in contracts to be delivered through the twelve-month period attests to the stability of our operation and forms a solid base upon which to build our current sales.

Constant review of our profit picture, and of the employment of our assets, moved your board to dispose of Musty's Service Stations Limited late in the fiscal year. It was the board's opinion that the company could not comfortably afford the real estate involved, that the return on the investment was not matching the high standard being set by Truck Rental and Truck Sales, and that the highly competitive, unpredictable, discount gasoline business might better be left to others. Disposal of this subsidiary results in a more satisfactory balance sheet as you may see by referring to the comparative figures on pages (6) and (7).

Your board evaluates the past year as one of progress and consolidation. The excellence of our service is shown by the calibre of our customers. This is a source of great gratification, and a foundation for the pride of our management. Cost conscious, profit motivated, efficiency oriented, our best customers talk our language, and their success in their respective fields, advertise to their imitators, the practical desirability of leasing from us.

The proven potential of our business and the growing demand for our service has encouraged your board to make plans for the opening of new depots in Montreal and Hamilton. Current Hamilton accounts are handled out of our Toronto depot but this is becoming cumbersome due to rising volume. Our projected opening in Montreal reflects our expanding business in the Province of Quebec, and a fresh evalution of the potential waiting for development in that dynamic Province. Current accounts in the City of Hull, Quebec are being handled by our Ottawa depot. We are now, however, at the stage where our units are constantly in the City of Montreal, and it is the hope of your Board that facilities to accommodate and expand this condition will be provided in the near future.

Prospects for new business remain excellent. New contracts are constantly under negotiation, and it is significant that our old contracts are being renewed and expanded. Our rate of growth has been orderly and profitable, your board intends to keep it that way. We have been selective in our accounts and intend to remain so. We are in business to make a profit, and since ours is a service industry we devote our energy, and experience, and ability to anticipate and respond to the needs of our customers faster and more efficiently than they could respond themselves.

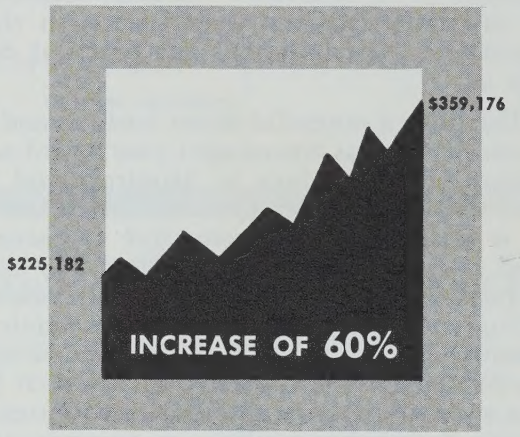
To our employees who share this devotion to excellence I express my sincere appreciation, and the thanks of the board. We would, in addition, thank our suppliers for their prompt response to our needs, and for their understanding of our concept of service.

Shareholders may rest assured that the board of directors are devoting their best efforts to the success of this company, and that I will continue my policy of reporting directly on the success of these efforts as events warrant.

I remain,

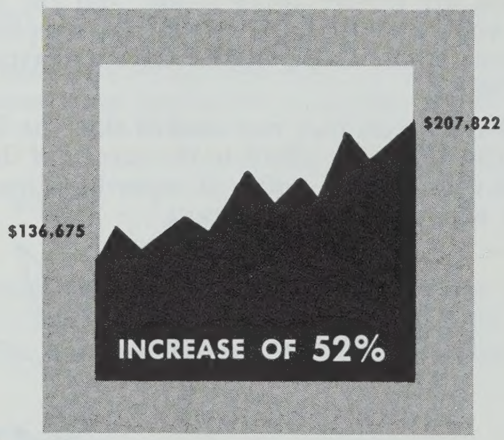
Yours most sincerely,

Moe Koffman, President.



CASH FLOW

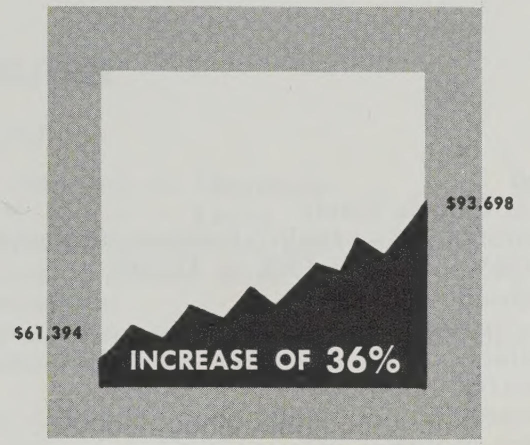
In business with exceptional depreciation factors shareholders are, to an increasing extent, viewing performance in terms of net cash flow. Our net cash flow consists of our net profit of $115,027.00, and since they do not represent any movement of cash, our depreciation of $207,822.00 plus our income taxes applicable to future years in the amount of $36,327.00, for a total cash flow of $359,176.00. This figure, more than any other, attests to the strength and vitality of our company.



DEPRECIATION

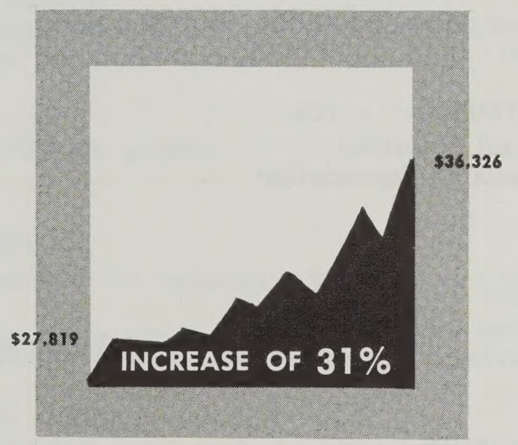
Our depreciation as shown illustrates the rate at which we are writing off the value of our assets. A realistic approach to depreciation is imperative in the leasing business, and our experience has taught us the life expectancy of the equipment which we lease to our customers. Our depreciation schedules reflects this experience.

FINANCIAL HIGHLIGHTS



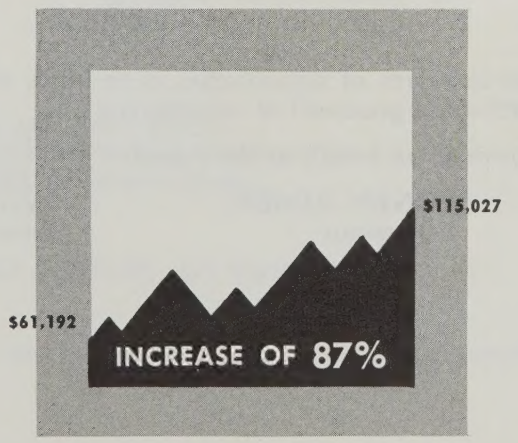
INTEREST ON LONG TERM DEBT

The increase of our interest payments reflects the expansion of our activities. The purchase of equipment to meet the needs of our customers requires an ever expanding pool of capital and the total interest which we pay for the use of this money will be in step with the rate of our growth.



INCOME TAXES APPLICABLE TO FUTURE YEAR

Through the year we claimed for tax purposes an amount greater than the depreciation recorded in our accounts. The effect was to eliminate payment of taxes by postponing such payment to future years. This is an opportunity available to the leasing business, and a practice which we shall continue. Accounting opinion suggests that with appropriate growth these payments could be deferred indefinitely.



NET PROFIT

Net profit through the year compares most favourably with the net achieved through the previous fiscal period. This profit reflects expanding volume, plus constant review of operating costs. Current operations indicate a substantial improvement in operating profit through the next fiscal period.

CAPITAL LEASING CORPORATION LIMITED *and its wholly-owned subsidiaries*

CONSOLIDATED BALANCE SHEET AS AT 28th

(With comparative figures as at 30th September 1962)

ASSETS

	1963	1962
CURRENT		
Cash on hand	$ 370	$ 885
Government of Canada bonds		2,500
Accounts receivable, net — trade (allowance for doubtful accounts 1963 — $1,792; 1962 — $2,230)	239,758	212,112
Accounts receivable — other	80,347	1,127
Inventories — at cost	113,688	117,935
Loans receivable	89,321	5,048
Due from director		22,849
Prepaid expenses	13,497	47,041
Prepaid finance charges	71,238	57,661
Cash surrender value — life insurance		17,711
TOTAL CURRENT ASSETS	$ 608,219	$ 484,869
OTHER		
Receivable due on or before 9th February 1965	$ 71,000	
Rental deposit		$ 16,500
LEASED EQUIPMENT — at cost		
Automobile and industrial	$1,409,107	$1,090,307
Less: Accumulated depreciation	417,940	228,922
	$ 991,167	$ 861,385
FIXED — at cost		
Land, buildings and equipment	$ 151,381	$ 672,785
Less: Accumulated depreciation	10,592	46,897
	$ 140,789	$ 625,888
DEFERRED CHARGES		
Finance charges	$ 81,796	$ 84,212
Deposits	1,550	1,550
Leasehold improvements at cost less amortization	797	3,937
Organization expenses	13,898	13,898
	$ 98,041	$ 103,597
Excess of cost of shares of subsidiaries over book value thereof, including goodwill of subsidiaries	$ 444,889	$ 517,698
	$2,354,105	$2,609,937

Approved on behalf of the Board.

SYDNEY ROSEN, *Director*

WILLIAM DOYLE, *Director*

The accompanying notes form an integral part of the consolidated financial statements.

LIABILITIES

CURRENT		1963	1962
Bank (Secured) — Overdrafts		$ 19,017	$ 86,099
Loans		147,325	316,500
Accounts payable and accrued charges		121,584	147,555
Corporation income taxes		2,378	667
Loans payable		2,249	977
Payments due within one year on other long-term liabilities		21,600	38,100
TOTAL CURRENT LIABILITIES		$ 314,153	$ 589,898
Liens on leased equipment		$ 881,866	$ 834,558
OTHER LONG-TERM			
Accounts payable		$ —	$ 113,605
Loans payable		28,000	40,000
Mortgages payable		57,600	195,275
Due to directors		93,425	—
		179,025	348,880
Less: Current portion		21,600	38,100
		$ 157,425	$ 310,780
DEFERRED Accumulated tax reductions applicable to future years		$ 72,454	$ 38,184

SHAREHOLDERS' EQUITY

CAPITAL STOCK			
Authorized:			
500,000 Non-cumulative voting Preference shares, 6%, redeemable at par value of 25¢ each	$ 125,000		
2,000,000 Common shares of no par value — aggregate consideration not to exceed	2,000,000		
	$2,125,000		
Issued and fully paid:			
221,280 Preference shares		$ 55,320	$ 55,320
650,005 Common shares		720,005	720,005
		$ 775,325	$ 775,325
EARNED SURPLUS, per Statement "B"		152,882	61,192
		$ 928,207	$ 836,517
		$2,354,105	$2,609,937

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT 28th SEPTEMBER 1963

BASIS OF CONSOLIDATION

The consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries, comprising :

Max Koffman Truck Rental Limited
Max Koffman Truck Sales Limited

INVENTORIES

$110,894	Max Koffman Truck Rental Limited, valued at cost, automotive parts and supplies, as determined by physical count.
2,794	Max Koffman Truck Sales Limited, valued at cost.
$113,688	

INCOME TAXES APPLICABLE TO FUTURE YEARS

The income taxes applicable to future years of $36,326 represent the amount by which income taxes otherwise payable in respect of the year ended 28th September 1963 have been reduced by claiming for tax purposes capital cost allowance in excess of depreciation recorded in the accounts. This difference is applicable to those future periods in which the amounts claimed for tax purposes will be less than the depreciation recorded in the accounts and is, accordingly, included in the Balance Sheet in the item "Accumulated tax reductions applicable to future years".

LIENS ON LEASED EQUIPMENT

Payments of $411,987 falling due within one year will be met from the proceeds of lease contracts presently in force.

FIXED ASSETS

MAX KOFFMAN TRUCK RENTAL LIMITED	Cost	Accumulated Depreciation
Land	$ 67,563	$ —
Buildings	54,051	4,266
Roads and parking areas	15,250	1,830
Shop tools and equipment	8,248	2,796
Neon signs	577	173
Office equipment	4,977	1,527
	$150,666	$ 10,592

A second mortgage has been given on the Industrial Avenue land and buildings as collateral security for the contingent liabilities.
The contingent liabilities as guarantors amounted to $127,719.

MAX KOFFMAN TRUCK SALES LIMITED		
Shop equipment	$ 715	$ —
	$151,381	$ 10,592

LEASED EQUIPMENT

MAX KOFFMAN TRUCK RENTAL LIMITED	Cost	Accumulated Depreciation
Automotive and industrial	$1,371,506	$417,940
MAX KOFFMAN TRUCK SALES LIMITED		
Industrial equipment	$ 37,601	$ —
	$1,409,107	$417,940

The fixed assets and leased equipment of Max Koffman Truck Sales Limited are stated at original cost. No depreciation is provided and losses on disposal are reflected in the year of disposal.

5 IMPORTANT REASONS FOR THE POPULARITY OF LEASING

- Release capital investment;
- Costs known in advance;
- Saves executive time;
- No maintenance worries;
- Well-maintained equipment.

ADD FIVE MORE REASONS FOR THE GROWTH OF CAPITAL LEASING CORPORATION LIMITED

- We are prepared to take lease deals anywhere in Canada.
- We are members of the National Truck Leasing System, and as such we are able to provide coast to coast leasing. It is worth noting that our President, Mr. Moe Koffman, was the first Canadian member of the National System and the first Canadian Member of the System's executive.
- We have emergency service depots covering all areas of Ontario and Quebec.
- We offer full and complete service in both Ottawa and Toronto.
- Our customers know that when we won't cut our price it's because we won't cut quality. Service costs money and our service is as complete and reliable as we can make it.

GEARED FOR GROWTH